

***United States Court of Appeals
for the Second Circuit***



**APPELLANT'S
BRIEF**

ORIGINAL

75-7168

B
p/s

United States Court of Appeals

For the Second Circuit.

ANTHONY J. CALI,

Plaintiff-Appellant,

v.

JAPAN AIRLINES CO., LTD., SCANDINAVIAN AIRLINES
SYSTEM, SCANDINAVIAN AIRLINES SYSTEM, INC., and
KLM ROYAL DUTCH AIRLINES,

Defendants-Appellees.

*On Appeal from the United States District Court
for the Eastern District of New York*

Appellant's Brief

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SCANDINAVIAN AIRLINES SYSTEM, INC.,
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Defendants-Appellees.

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: Docket No. 75-7168

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APPELLANT'S BRIEF ON APPEAL

This is an appeal from judgment of Honorable John F. Dooling (A.249-250) dismissing the Complaint (A.3). Judgment was entered on February 5, 1975 against Plaintiff-Appellant Anthony J. Cali (hereinafter Cali) in favor of Defendants-Appellees Japan Airlines Co., Ltd. (hereinafter JAL), KLM Royal Dutch Airlines (hereinafter KLM), Scandinavian Airlines System (hereinafter SAS), and Scandinavian Airlines System, Inc. (hereinafter SAS, Inc.). Notice of Appeal (A.251) was timely filed.

History of Proceeding

Plaintiff Cali filed this suit against defendants JAL, KLM, SAS, SAS, Inc. (A.3) for their use of his invention on regularly scheduled flights to and from the U.S. The patent relates to an improvement in JT-4 jet engines used in certain Boeing 707 and Douglas DC-8 planes in which the seventh stage vane and shroud assembly was rigidly secured to the fairing by welding and by tie rods. The patent was previously before this

Court in Cali v. Eastern Airlines, 422 F. 2d 65, 169 U.S.P.Q. 753 (2d Cir. 1971), on the issue of prior public use. The decision describes Cali's invention but is not otherwise relevant.

At pre-trial conference, Judge Dooling and counsel for both parties believed that a threshold and broad issue existed relating to an immunity defense based upon treaty and statute, which, as a matter of law, exempted acts of the defendants which would otherwise constitute patent infringing uses. The parties, thus, focused their discovery to resolve this issue. (A.84)

The immunity defense, as presented by the defendant airlines Answers (A.28) had two aspects. It was based on: first, Article 27 of the Chicago Convention in 1945, a very broad treaty which extinguished claims of infringement against aircraft of a foreign state and, second, 35 U.S.C. §272; and, the similarly worded Paris Convention, Article 5 ter. par. 2, which declared that the temporary presence of aircraft of a foreign country was not an infringing use.

Cali initiated the resolution of this issue by filing a motion to dismiss the defenses, thus presenting the immunity issue as one of law (A.201). Judge Dooling's Opinion (A.205), 380 F. Supp. 1120, 184 U.S.P.Q. 293 (E.D.N.Y. 1974), went to the merits of the defense. He upheld the validity and constitutionality of the treaties and statute and gave a broad scope to these defenses. Further discovery established that all of the engines of JAL, KLM and SAS were the subject of the Complaint (A.233) and were within the scope of the immunity pro-

visions as interpreted by Judge Dooling. The threshold issue was decided against Cali and became dispositive of the case and judgment was entered dismissing the complaint.

(A.249-250).

STATEMENT OF THE QUESTIONS PRESENTED

- I. Does the Patent Clause, Article I, Sec. 8, cl 8 which requires the securing to the inventor of the exclusive Right to his invention, make "exclusivity" a Constitutional standard of grant.

Article I, Sec. 8, cl 8 reads:

"The Congress shall have Power ... To promote The Progress of Science and Useful Arts by securing for limited times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."

- II. Does Congress have the constitutional power under the Patent or Treaty Clauses to grant, by treaty or statute, to foreign air carriers who have substantial permanent domestic presence, royalty free license for "large" domestic uses of a patented invention, without violating the constitutional standard of grant.
- III. Do the acts of defendants constitute the mere temporary presence of airplanes of a foreign state within the constitutional scope of 35 U.S.C. § 272 and the Paris Convention, where they: (1) regularly land planes on a daily scheduled basis in the U.S.; (2) have extensive legal presence and financial activity in the U.S. and; (3) have waived any defense of sovereign immunity by filing with the C.A.B. for flight permits.

STATEMENT OF FACTS

JAL Conducts Regularly Scheduled Service
To The United States And Has A Permanent
Presence In The United States

JAL is a corporation of Japan, has done business in the State of New York as a commercial airline since 1955 and is so licensed by the State of New York. JAL has received permission from the Civil Aeronautics Board (hereinafter CAB) to conduct regularly scheduled flights from cities in Japan to cities in the United States (A 13, Answer, Par.7).^{*/}

^{*/} JAL's foreign air carrier permit (A17) contains a provision waiving any defense of sovereign immunity. This provision reads as follows:

"By accepting this permit the holder waives any right it may possess to assert any defense of sovereign immunity from suit in any action or proceeding instituted against the holder in any court or other tribunal in the United States (or its territories or possessions) based upon any claim arising out of operations by the holder under this permit. "

This permit was issued pursuant to Order No. 13776, April 24, 1959, which, with amendments, covered numerous routes from Japan to the United States (A45, Int. 11). All JAL, KLM and SAS flights which used the JT-4 engines and the accused infringing structure were pursuant to permit issued by the CAB which contains this provision.

JAL's passenger planes do not operate intermittently, erratically or accidentally. Their schedules are defined, regular and mandated by the CAB.

In the permit issued to JAL by the CAB, it is stated: (A.140-141)

"(1) Any flight operating eastbound from Japan which makes a scheduled landing at New York, N.Y., and any flight operating westbound to Japan which makes a scheduled departure from New York, N.Y., must make a scheduled stop at San Francisco, Calif.

"(2) All flights scheduled over segment 1 east of San Francisco, Calif., shall serve New York, N.Y."

JAL's travel routes are scheduled from points outside the United States (A13 , Answer, Par. 9) to Guam, Hawaii, Seattle, San Francisco, Los Angeles, Alaska, Chicago and New York City. JAL now has extensive daily flights in and out of the United States and has no plans to discontinue its operations in and to the United States (A49 , Int.15).

JAL's Presence In The
United States

JAL has regular and established sales office in the following places in the United States: Honolulu, San Francisco, Seattle, Los Angeles, San Diego, New York Boston, Philadelphia, Chicago, Cleveland, Detroit, St. Louis, Washington, Miami and Dallas (A 4 , Answer, Par. 10).

JAL's assets and property in the United States includes ground equipment, supplies and equipment for aircraft, owned and leased airport facilities and residences for its

company officials (A.5,14, Answer, Par. 12). JAL has leased airports, ground support and administrative facilities within the United States in at least 25 of the major cities throughout the country. These areas include storage areas for tools, equipment and supplies.

JAL has a number of service facilities within the United States (A.5,14, Answer, Par. 14) and JAL maintains facilities for servicing its engines and aircraft in the United States (A.47,51, Ints. 14, 18).

JAL is here permanently and will be in the United States for the foreseeable future. By any practical standard, it is here as a permanent competitor to TWA and Pan Am.

JAL's Infringing Uses Have
Been Large

JAL has used Douglas DC-8 (DC-8-32, DC-8-33) aircraft having JT-4A engines which have the accused structure. JAL has flown aircraft using the JT-4A engines having the accused structure on at least 24 routes in and out of the U.S. from 1960 through 1973 (A.51, Int. 20). Judge Dooling characterized these uses as having transported thousands of passengers between a point or points in Japan and various specified points in the United States, some said engines incorporating the accused infringing structure (A.5, 14, Answer Par. 15; A. 37, 51, Ints. 1, 20).

KLM Has Conducted Regularly Scheduled
Flights To The United States Using
The Infringing Engines

KLM operates in a basically similar fashion as JAL. Beginning in 1957, foreign air carrier permits were issued by the CAB to KLM.^{*/} KLM has been authorized and has conducted regularly scheduled transportation of persons, property and mail from points outside the United States to New York; Houston, Texas; Chicago, Illinois; Anchorage, Alaska; and Miami, Florida. (A 19 , Answer, Par. 46; A 63 , Int. 11). KLM has used Douglas DC-8 aircraft equipped with JT-4A engines (A 60 , Ints. 3a, b, c, d, 8a, 10c), using the infringing weld assembly on approximately 42 engines (A 69 , Ints. 3k 40).

^{*/} CAB Order No. # 11729 and other permits have followed (A 64 , Int. 12).

KLM's Permanent Presence In The
United States And Its Use Of
U.S. Financial Resources

KLM has sales offices in a number of places in the United States (A 20, Answer, Par. 47). It owns ground equipment, supplies and equipment for aircraft, leasehold improvements and other personalty located at various airports and facilities within the United States (A 20, Answer, Pars. 49, 51).

KLM has leased airport ground support, administrative and sales facilities in at least 31 major locations in the United States, such as Los Angeles, Anchorage and at Kennedy Airport, New York (A 65, Int. 4)..

KLM's activities are subject to the jurisdiction of the Securities and Exchange Commission, as well as the CAB (A 19 Answer, Par. 44). KLM received proceeds from stock offerings in the United States in 1959, 1966, 1969 and a debenture offering in 1959 (A 19, Answer, Par. 42).

The stock offerings netted KLM \$27,065,593.25 (Int.46) and \$33,936. (Int.47). These amounts derived for investment in the U.S. from citizens are inconsistent with a claim that its planes are here only temporarily or occasionally.

As of December 3, 1972, 502,315 shares of KLM common stock were listed for trading on the New York Stock Exchange (A19, Answer, Par. 42). KLM is traded on a daily basis on the New York Stock Exchange.

SAS and SAS, Inc.

SAS is a consortium of corporations of Denmark, Norway and Sweden. It is engaged in air transportation between five cities in the United States and points in Europe and elsewhere.

SAS, Inc. is a New York corporation (A.24, Answer, pars. 23, 24, 27, 28; 25) and is wholly owned by SAS. Under the terms of the Articles of Incorporation^{*/}, SAS, Inc. is authorized to perform the following acts.

"To act as general agent and representative in North America for corporations, firms or individuals engaged in the travel and transportation business particularly in the business of providing transportation by aircraft and in furtherance of such business, to purchase, lease or otherwise acquire, and to hold, own, sell or dispose of real or personal property of all kinds and of any kind of interest therein;***"

SAS, Inc. acts on behalf of SAS as its general agent in all business and financial matters relating to traffic and sales activities in the United States (Int. 33).

^{*/}

The articles were attached as Ex. 3 to Blaustein's Affidavit July 15, 1974 in support of motion for partial summary judgment.

SAS also has been granted a foreign air carrier permit to operate regularly scheduled service in and out of the United States. SAS has operated regularly scheduled service since 1969 to and from Copenhagen/New York; Stockholm/New York; Copenhagen/Los Angeles; Copenhagen/Seattle; Copenhagen/Anchorage; and, Tokyo/Anchorage (A. 75, Int. 11)

SAS' Extensive Infringing Uses

In 1959 and 1960, SAS purchased seven DC-8-33 aircraft and spare engines, making a total of at least 48 JT-4A engines (A.73-4, Ints. 3a, d).

SAS routes were flown from time to time with the DC-8-33 aircraft equipped with the JT-4A engines (A. 81, Int. 20), of which at least 42 used the infringing weld construction (Int. 3k).

SAS And SAS, Inc. Have A Permanent Presence In The United States

SAS, Inc. has leased in the United States a large number of maintenance and sales facilities, such as Atlanta, O'Hare International Airport in Chicago, Illinois; Los Angeles, Terminal Building and many others (A.77, Int. 14).

Line maintenance facilities are maintained in five cities by SAS and SAS, Inc. in the United States (A77,80, Ints. 14, 18). SAS, Inc. owns aircraft service equipment and various workshops in the United States. (Int. 34). Thus, SAS and SAS, Inc. are here in the United States permanently.

SUMMARY OF ARGUMENT

Defendants have substantial business operations and presence in the United States and operate in a manner virtually indistinguishable from the U.S. flag carriers. The defendants route structures in and out of the U.S. are competitive with U. S. flag carriers and for the purpose of this litigation are the same in character as the passenger traffic of the U.S. flag carriers. The use of infringing structures on airplanes was also considered large by the Court below.

Sovereign immunity is ordinarily available to foreign states and their instrumentalities. The treaties and statute involved here, Article 27, of the Chicago Convention, 35 U.S.C. § 272, (and its counterpart, the Paris Treaty, Article 5 ter) recognize this right of immunity and apply it to aircraft as instrumentalities of a foreign state.

But this right is impliedly waived by the vast business activities of defendants in this country, and has been expressly waived by defendants when applying for CAB permits.

Were it not for the broadly worded Article 27 of the Chicago Convention, which bars a claim of patent infringement on airplanes of a foreign country and the narrowly worded patent statute 35 U.S.C. § 272 (and its counterpart in the Paris Treaty, Article 5 ter), the defendants uses would be patent infringements. It is further our position on this appeal that Article 27 of the Chicago Convention, a treaty and admittedly having the same force and effect as any act of Congress, cannot be constitutional or have the breadth of interpretation accorded to it by the Court below.

The patent clause sets forth a standard which forms a prerequisite of the patent system -- that in the return for the making and disclosure of an invention which meets the constitutional and statutory prerequisites of patentability, the standard secures, and requires Congress to secure to the inventor the exclusive rights to his invention.

The Supreme Court has held that the U.S. government, as opposed to the government of Great Britain, for example, does not have a royalty free license under any invention made by a U.S. citizen without regard to whether the invention is needed for vital national purposes such as use during wartime.

The character of the national purposes, may not be considered as a source of Constitutional power to deprive any inventor of his exclusive right, provided the statutory prerequisites of patentability are met.

Thus, a treaty to promote international air navigation may not constitutionally grant rights which would be inconsistent with the constitutional standards of exclusivity accorded to an inventor with an otherwise valid patent.

A R G U M E N T

POINT I

THE CONSTITUTION PROVIDES A STANDARD OF
GRANT WHICH REQUIRES EXCLUSIVE RIGHTS
TO BE SECURED BY PATENT

If the breadth of Article 27 of the Chicago Convention^{*/} is constitutionally valid, it bars Cali's claim against defendant foreign airlines. Further, under the lower Court's interpretation of 35 U.S.C. § 272^{*/} and Article 5 ter 2 of the Paris Convention, ^{***/} each of commensurate scope, they also operate to bar Cali's claim. However, Judge Dooling found as a fact that the uses of defendants' were "large" and a "very great subtraction" and were not insubstantial.

Judge Dooling stated:

^{*/} Reprinted, Addendum I.

^{**/} Reprinted, Addendum II.

^{***/} Reprinted, Addendum III.

"It does not quite appear to be argued that the defendants and their aircraft are not 'of' foreign countries or national states within the potential scope of Section 272 of Articles 5 ter and 27. The argument seems rather to be that the particular airlines involved, given the magnitude of their carrier operations between foreign countries and this country, are such that the airlines are comparable to American airlines in the extent of their use of the article of Cali's patent, and that, in consequence, the subtraction from the grant to Cali of the right to exclude others from the use of his patent is a very great subtraction and one hardly tolerable under the statutory and treaty language, which might be thought to deal only with relatively unimportant ('temporary' and 'accidental') invasions of the patent rights that were without commercial significance. That subtraction although large, appears nevertheless plainly to be what the statutory and treaty immunities intended: substantiality in the subtractions of use from the exclusiveness of the grant of such patents as that to Cali, while not unreal, is within the treaty-making power." (380 F. Supp. at 1127.) (A.212)

Our argument is based on the United States Constitution, Article I, Sec. 8, Cl. 8, which requires Congress the power to secure exclusive rights:

"The Congress shall have Power...To promote the Progress of Science and Useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." (Emphasis ours.)

The exemption sought to be accorded vessels in international commerce was the subject of only one prior case, Brown v. Duchesne, 60 U.S. 183 (1856) and this holding was to a large

extent, or, at least hopefully, codified in 35 U.S.C. § 272.

Both Cali and the defendant international airlines relied on this case below. Judge Dooling said during argument that both sides could take comfort in the Supreme Court's phraseology. That is why he suggested "the Court might phrase it differently today." (A.210)

Judge Dooling recognized that the Court in Brown differentiated between a profitable use of a patent by making and selling as opposed to "the trifling use of the gaff improvement" (A) and he recognized that the Supreme Court "saw no real damage sustained by the plaintiff" (A.210).

The "trifling" damage aspect, we submit, was a prerequisite of the Brown rationale, which distinguishes it from the "great subtraction" of the patentee's rights which is presented here; but Judge Dooling squarely held that Congress had the authority to divest a large part of the inventor's rights to an international airline without violating the inventor's rights to the exclusive use of his invention which we contend derives from a Constitutional standard.

This broad Congressional authority, was premised on the importance of international commerce. Patents in general, or Cali's patent in particular, could clog the national power to regulate foreign commerce. In reaching his decision, Judge Dooling recognized that "the no damage" aspect was not present

here as it was in Brown, but he was not willing to limit Congressional power only to the trivial uses or to the no damage uses Brown presented.

Thus, the main issue presented is whether the Constitution allows such a broad interpretation or application of treaty or legislative power, in view of the patent clause, Article I, §8, giving Congress the power to "secure" to inventors "the exclusive right" to their inventions.

That is, there is a Constitutional standard as to the scope of a patent grant, as well as a Constitutional standard as to the prerequisite of a grant.

In Graham v. John Deere Co., 383 U.S. 1 (1966), the Court noted that the standard of validity requires references to a "standard written into the Constitution", citing A&P Tea Co. v. Supermarket Corp., 340 U.S. 147, 154 (1950). See also, Anderson's -Black Rock, Inc. v. Pavement Salvage Co., 396 U.S. 57, 61 (1969), where the Supreme Court said that the "patent standard is basically constitutional" and which also summarizes the settled limitation on Congressional power. This is based on Art. I, Sec. 8, Cl. 8, which clause is "both a grant of power and a limitation" Graham, supra, 383 U.S. at 5. Congress must meet a Constitutional standard of invention because the Constitution requires that "Progress" and only "Inventors" may be given the "exclusive Rights". Congress must give weight to these words. Congress, does not have complete free rein, although it may

set out the conditions and tests for patentability which comport with "Constitutional strictures", Graham, supra, 383 U.S. at 17.

The standard of grant is even more clearly spelled out by the word "exclusive". Congress, we submit, lacks the power to grant a non-exclusive exception to the United States government, a foreign government, or the foreign airlines. The patent statute is derived from a standard: "it may not be ignored." Graham, supra, 383 U.S. at 6.

An even-handed application of the Constitution requires a reference to a Constitutional standard both as to the inventor's contribution (in meeting the high standard of patentability) and as to his reward (the "exclusive Right"). The standard of reward must be interpreted in the light of a Constitutionally mandated exclusive right. As stated in A&P, supra at 340 U.S. at 154:

"The purpose is 'To Promote the Progress of Science and useful Arts.' The means for achievement of the end is the grant for a legitimate time to inventors of the exclusive right to their invention."

The Constitution states that Congress has the power of "securing" to "Inventors" the "exclusive Right". And, if the inventor meets the conditions of patentability, the Constitution intends and expressly states that exclusive rights should be secured.

Therefore, we submit that a Constitutional standard of grant exists which applies to a standard of patentability, applies as well as a standard of grant. An inventor who meets the pre-requisites of validity, must be secured an exclusive right.

POINT II

CONGRESS CANNOT GRANT LESS THAN EXCLUSIVE RIGHTS
AND RESERVE TO THE U. S. OR OTHERS NON-EXCLUSIVE
RIGHTS BASED ON THE PATENT POWER OR ANY OTHER POWER

Under the Patent Clause, therefore, Congress can not grant any royalty free license to the U. S. Government, a foreign government or a foreign airline or a private individual. In Cammeyer v. Newton, 94 U.S. 226, 234 (1876), the Supreme Court said:

"Conclusive support to that proposition is found in a recent decision of this court, in which it is held that the government cannot, after the patent is issued, make use of the improvement any more than a private individual, without license of the inventor or making compensation."

These rights are guaranteed by the Constitution. Cramp & Sons v. Curtis Turbine Co., 246 U.S. 28, 40 (1918); Hollister v. Benedict Manufacturing Co., 113 U.S. 59, 67 (1884).

The issue should be determined by the power of Congress based upon the Patent Clause. As was said in Brown (60 U.S. at 194):

"The question depends on the construction of the patent laws."

The patent right which is to be accorded by the Constitution, cannot be limited by treaty.

As said in Brown (60 U.S. at 197):

"And it will be remembered that the demand, if well founded in the patent laws could not be controlled or put aside by treaty."

If the Patent Clause requires the securing of exclusive rights as a Constitutional standard, the question may then be asked whether any other Constitutional power justifies a royalty free license to a private party or a sovereign.

This is the first case in which any Court has granted, by decree, a royalty free license as being within the Constitution, apart from violations of the antitrust laws, where the use is not minimal and the patentee's property was diminished in value. Congress is, thus, given the authority to grant what amounts to royalty free licenses for large or even great uses; that is, large in the sense of a large subtraction of a patentee's right. The Court gave a pre-eminent position to the power of Congress to conduct foreign trade by treaty. However, Congressional sources of power deal with other national priorities which are even more important than foreign trade. In such cases, the right to decree royalty free licenses to the United States Government has been denied.

So strong is the inventor's right that this applies to inventions related to the national defense, made by military officers or contractors and for wartime uses; United States v. Burns, 79 U.S. (12 Wall) 246 (1871); Cramp & Sons v. Curtis

Turbine Co., 246 U.S. 28 (1918); James v. Campbell, 104 U.S. 356 (1881).

In Cramo, the Court said the following principle was indisputably established (246 U.S. at 39):

"That rights secured under the grant of letters patents by the United States were property and protected by the guarantee and not subject therefore to be appropriated even for public use without adequate compensation."

"Public use" in this sense, would mean national defense, or, we submit, international trade.

We assume that what Congress could not grant to the United States Government (in terms of royalty free licenses), it could not grant to a private party. That is, if Congress could not confer a royalty free license to the U. S. Government (either for the purpose of conducting national defense or international trade), it could not confer to JAL, KLM, or SAS, for that matter, Pan Am or TWA.

In national defense cases, where the issue arose before, the Supreme Court has held that a patentee's rights is exclusive and that Congress does not have the power or the right to give a royalty free license. Congress does not act like the English Crown. In James v. Campbell, 104 U.S. 356, 358 (1881), the Supreme Court stated:

"That the government of the United States when it grants letters-patent for a new invention or discovery in the arts, confers upon the patentee an exclusive property in the patented invention which cannot be appropriated or used by the government itself, without just compensation, any more than it can appropriate or use without compensation land which has been patented to a private purchaser, we have no doubt. The Constitution gives to Congress power 'to promote the progress of science and useful arts by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries,' which could not be effected if the government had a reserved right to publish such writings or to use such inventions without the consent of the owner. Many inventions relate to subjects which can only be properly used by the government, such as explosive shells, rams, and submarine batteries to be attached to armed vessels. If it could use such inventions without compensation, the inventors could get no return at all for their discoveries and experiments. It has been the general practice, when inventions have been made which are desirable for government use, either for the government to purchase them from the inventors, and use them as secrets of the proper department; or, if a patent is granted, to pay the patentee a fair compensation for their use. The United States has no such prerogative as that which is claimed by the sovereigns of England, by which it can reserve to itself, either expressly or by implication, a superior dominion and use in that which it grants by letters-patent to those who entitled themselves to such grants. The government of the United States, as well as the citizen, is subject to the Constitution; and when it grants a patent the grantee is entitled to it as a matter of right, and does not receive it, as was originally supposed to be the case in England, as a matter of grace and favor." (Emphasis ours.)

This decision is based on the Constitution. Congress may not reserve any such right to the government of the United

States. The patent issued to Cali was one of right so long as (1) the conditions of Congress were met as to novelty, unobviousness and matters of form and (2) such conditions as set by Congress were consistent with the terms of Art. I, § 8.

In Belknap v. Schild, 161 U.S. 10, 15 (1895), the Supreme Court said:

"In England, the grant of a patent for an invention is considered as simply an exercise of the royal prerogative, and not to be construed as precluding the Crown from using the invention as its pleasure; and therefore a petition of right cannot be maintained against the Crown for using a patented invention; although a private person or corporation, that has contracted to supply the government with articles embodying the invention, may be sued for infringement of the patent. (Citations omitted.)

"But, in this country, letters patent for inventions are not granted in the exercise of prerogative, or as a matter of favor, but under art. 1, sec. 8, of the Constitution of the United States, which gives Congress power 'to promote the progress of science and useful arts, by securing for limited terms to authors and inventors the exclusive right to their respective writings and discoveries. Rev. Stat. § 4884. And this Court has repeatedly and uniformly declared that the United States have no more right than any private person to use a patented invention without license of the patentee or making compensation to him.'" (Emphasis ours.)

See also U.S. v. Palmer, 128 U.S. 262, 270-271 (1898) and Hollister v. Benedict Manufacturing Co., 113 U.S. 67 (1888).

The Supreme Court has recognized the Constitutional character of a patentee's involving the public and national need

to obtain military equipment during war. We submit this was of equal or of greater importance than the public interest in promoting international air navigation. In Cramp & Sons v. Curtis Turbine Co., 246 U.S. 28 (1918), the Supreme Court held that private contractors producing equipment for wartime purposes (two torpedo boat destroyers in the middle of World War) were not in any way immune from suit.

This decision did not produce national chaos. The matter was simply solved by a Congressional amendment which essentially extended the right of eminent domain to private contractors performing work for the Government and provided for just compensation to the patentee. See, Richmond Screw Anchor Co. v. U.S., 275 U.S. 331, 342-3 (1928), where the Supreme Court referred to testimony by the Acting Secretary of the Navy that Cramp case restricted "vital activities" of the Navy and posed "severe consequences" and promised "serious disadvantages to the public interest".

It is thus clear that the patentee's right of property is sufficiently strong, and giving due regard to Congressional military powers with respect to the declaration of war, appropriation of funds for war, and the President's power to conduct warfare as Commander-In-Chief, to be fully recognized by the Supreme Court during wartime. The Supreme Court has never accepted an argument of immunity for a claim of patent

infringement, even on the part of the United States Government or for the purpose of national defense in circumstances of war.

Thus, in the United States, the exclusive right is guaranteed by the Constitution.

Treaties And Statues Are Subordinate
To The Constitution

Here, the lower Court, acting under the patent power, held that Congress may slice from the inventor's exclusive right any claim for patent infringement on airplanes used by foreign nationals as strict immunity. This is the heart of the controversy here. We simply contend that any such claim of immunity, whether it be to the United States Government, to foreign governments, or to foreign companies obtaining foreign registered aircraft, is inconsistent with the Constitution's exclusive right intended to be secured to an inventor. ^{*/}

The Court below treats Cali's position in this case entirely as though the Constitution's patent clause did not contain the word "exclusive"; this word was the fundamental point of the decisions we cited, James v. Campbell, 104 U.S. 356 (1881); Belknap V. Schild, 161 U.S. 10 (1897) and Hollister v. Benedict Manufacturing Co., 113 U.S. 67 (1888) where the Supreme Court stated that the right of the patentee was exclusive of the United States Government, as well as others.

While a treaty and an act of Congress are both the law of the land, both treaty and statute must be considered subordinate to and comply with the Constitution. No treaty can deprive a citizen of the United States of any Constitutional

^{*/} It does not matter whether Cali obtained his patent after Article 27 or 35 U.S.C. § 272 were enacted.

right, Brown, supra, p. 8. No paramount purpose, whether it be for international aircraft transportation or for national security, can deprive a United States citizen, who is an inventor, of his right of exclusivity, intended to be secured under the Constitution (so long as the conditions of patentability are met).

If the Supreme Court has held that the nature of the patent grant is exclusive, construes this as a right of an inventor, based on the Constitution, even against the United States Government and others, then there is no basis in law to support Article 27 which bars all patent claims and thereby intrudes far into the right of exclusivity. We submit there is no Constitutional basis for the great scope of Article 27.

POINT III

35 U.S.C. § 272 MUST BE INTERPRETED NARROWLY TO MAKE IT CONSTITUTIONALLY VALID

The words of § 272 do not have the clarity and absoluteness as those of Article 27. Yet, according to the lower Court's interpretations, 35 U.S.C. § 272, essentially amounts to the same as Article 27, regardless of the words "entering the United States temporarily or accidentally" which appear in § 272. However, the presence of the words "temporarily or accidentally" seems to us to require a more limited construction of 35 U.S.C. § 272 than that accorded to Article 27.

There is no reason to construe § 272 to have the same meaning as Article 27, unless its words are to be disregarded. Section 272 removes from infringement those aircraft of a foreign country which enter the United States "temporarily".

The Reviser's note only explains that it is a codification of Brown v. Duchesne, 60 U.S. 183 (1956). Brown focuses on the dual rights of the United States government and the inventor in connection with vehicles of a foreign nation which "occasionally visit our ports in their commercial pursuits" (60 U.S. at 195). While recognizing the importance of foreign commerce, the Supreme Court also recognized the right of the inventor. The Court said, at page 197:

"And it will be remembered that the demand, if well founded in the patent laws, could not be controlled or put aside by the treaty. For, by the laws of the United States, the rights of a party under a patent are his private property; and by the Constitution of the United States, private property cannot be taken for public use without just compensation."

The basis of the Supreme Court's opinion is that under the circumstances presented the patentee was not to be given a power to exact damages where no real damage has been sustained (Brown, supra, p. 197). While Judge Dooling rejected this interpretation, the Supreme Court was careful to point out that as a practical matter, no damage and no incursion of the patentee's right were involved. The Court said, at page 196:

"But, so far as the mere use is concerned, the vessel could hardly be said to use it while she was at anchor in the port, or lay at the wharf. It was certainly of no value to her while she was in the harbor; and the only use made of it, which can be supposed to interfere with the rights of the

plaintiff was in navigating the vessel into and out of the harbor, when she arrived or was about to depart, and while she was within the jurisdiction of the United States. Now, it is obvious that the plaintiff sustained no damage, and the defendant derived no material advantage, from the use of an improvement of this kind by a foreign vessel in a single voyage to the United States, or from occasional voyages in the ordinary pursuit of commerce; or if any damage is sustained on the one side, or any profit or advantage gained on the other it is so minute that it is incapable of any appreciable value.

"But it seems to be supposed, that this user of the improvement was, by legal intendment a trespass upon the rights of the plaintiff, and no profit or advantage gained by the defendant, the law presumes a damage, and that the action may be maintained on that ground. In other words, that there is a technical damage in the eye of the law, although none has really been sustained." (Emphasis supplied.)

While the Supreme Court pointed out that there was no basis for technical damage, the situation presented in the facts in this case, is different, as Judge Dooling recognized when he found that a large subtraction of Cali's exclusive patent right in the defendants use of Cali's invention.

The defendants may be instrumentalities of a foreign state, but to the extent they are a foreign state or a foreign country under Article 27 or 35 U.S.C. § 272, they have waived any claim of sovereign immunity.

The acts of Defendants are inconsistent with those of a foreign state. KLM has obtained most of its financing from public offerings in the United States to American citizens and has been based in the U.S. for decades; SAS does business in the United States through its general agent SAS, Inc., a New York corporation, incorporated on September 11, 1946, a long time for a non-permanent organization;* and, JAL has been formally licensed to do business in the State of New York since 1955. It is not a characteristic of a foreign government to receive a license to do business in New York or obtain money in the New York stock market.

The U.S. consumer views U.S. flag carriers and the defendants as similar competitive means of transportation. The defendants carry multi-millions of passengers and have greatly increased their U.S. passenger miles and revenues over the years from the U.S. consumer.

*/ As found by the Court in Michigan Travel Service Inc. v. Scandinavian Airlines System, Inc., 253 F. Supp. 854, 855 (D. Mich. 1966):

"Defendant, a New York corporation, is an international air carrier operating in many countries of the world and providing trans-Atlantic service from the United States to various European countries."

The defendants' airplanes enter and leave the United States with a regularity and frequency which requires one or more of their aircraft to be in the United States on a daily basis. Any argument that the defendants are not permanent is inconsistent with economic reality.^{*/}

The defendants themselves are hardly in the United States temporarily. Their aircraft enter and leave the United States as they enter and leave their respective countries; and, the only difference is that the aircraft are registered abroad and perhaps overhauled abroad. They do not land planes in the United States like an Apollo spacecraft temporarily visiting. They operate in accordance with a CAB authorized schedule.

None of the defendant international airlines could conceivably leave the U. S. market. They intend to and want to stay here. As welcome as they are, why should an individual United States inventor have a large portion of his patent rights taken away by a royalty free license decree to foreign airlines who profit from the U. S. market, when his right is based on the Constitution and Congress has specifically exempted only temporary uses. Cali, an individual inventor, could not afford international patent filings. He was entitled to rely on his U. S. rights.

^{*/} The defendants, in the Court below, stated that their operating rights are not permanent and their presence in the U. S. lacks permanence. This is hardly descriptive of the defendants' operations.

The economic damage to a patentee such as Cali is much more than the technical damage, much more than the minute damage, much more than the holding in Brown that "no real damage has been sustained." We submit that the statutory exemption should be limited to temporary uses which would comport with the Constitutional interpretation we offer.

C O N C L U S I O N

The treaties and statute refer to aircraft of foreign countries or national states. Yet the defendants, who have waived any defense of sovereign immunity, and who have done substantial business in the U. S. and are licensed to do business in the U.S. still enjoy the status, wrongly we submit, as foreign countries.

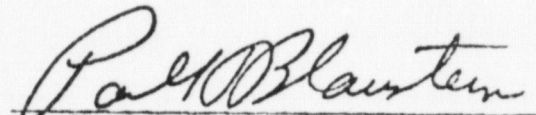
In Brown it was argued that the foreign ship was a mere visitor and answerable only to the home laws, 60 U.S. at 188,192. The decision in Brown was based in part to facilitate occasional visits of foreign ships which do not damage substantial rights of the patentee and also to recognize their sovereign status.

But where the defendants are foreigners only because the planes are registered abroad, and where they do so much business in this country and are here permanently, and have waived sovereign immunity, we submit the principle of Brown, as interpreted by the Court below, does not apply; defendants and defendants' airplanes should not be considered aircraft of foreign countries or national states or to be here only temporarily.

Further, when the Supreme Court held that the United States government does not possess any right to any portion of the exclusive right granted to the inventor, whether to assist the U. S. engaged in war, or for any other purposes, it was to secure to the U. S. inventor, exclusive rights in accord with a Constitutional standard of grant; and, the only exception is for those occasional visits of foreign aircraft or ships in which no real, or only minute, damage occurred. Article 27 is inconsistent with the Constitution, Art. I, Sec. 8, cl 8, and cannot stand as valid as interpreted in the Court below.

We submit that since there is real injury and real diminution in value of Cali's invention " justice would require that he [Defendants] compensate the patentee for the injury he sustained and the benefit and advantage which he (the defendant) derived from the invention." See Brown 60 U. S. at 196.

Respectfully submitted,



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Dated: June 12, 1975
New York, New York

Article 27 of the Chicago Convention

(a) While engaged in international air navigation, any authorized entry of aircraft of a contracting State into the territory of another contracting State or authorized transit across the territory of such State with or without landings shall not entail any seizure or detention of the aircraft or any claim against the owner or operator thereof or any other interference therewith by or on behalf of such State or any person therein, on the ground that the construction, mechanism, parts, accessories or operation of the aircraft is an infringement of any patent, design, or model duly granted or registered in the State whose territory is entered by the aircraft, it being agreed that no deposit of security in connection with the foregoing exemption from seizure or detention of the aircraft shall in any case be required in the State entered by such aircraft.

(b) The provisions of paragraph (a) of this Article shall also be applicable to the storage of spare parts and spare equipment for the aircraft and the right to use and install the same in the repair of an aircraft of a contracting State in the territory of any other contracting State, provided that any patented part or equipment so stored shall not be sold or distributed internally in or exported commercially from the contracting State entered by the aircraft.

(c) The benefits of this Article shall apply only to such States, parties to this Convention, as either (1) are parties to the International Convention for the Protection of Industrial Property and to any amendments thereof; or (2) have enacted patent laws which recognize and give adequate protection to inventions made by the nationals of the other States parties to this Convention.

35 U.S.C. § 272

§ 272. Temporary presence in the United States

The use of any invention in any vessel, aircraft or vehicle of any country which affords similar privileges to vessels, aircraft or vehicles of the United States, entering the United States temporarily or accidentally, shall not constitute infringement of any patent, if the invention is used exclusively for the needs of the vessel, aircraft or vehicle and is not sold in or used for the manufacture of anything to be sold in or exported from the United States.

PARIS CONVENTION: ACT OF THE HAGUE, 1925

ARTICLE 5^{ter}

In each of the contracting countries the following shall not be considered as infringements of the rights of a patentee:

1. the use on board vessels of other countries of the Union of devices forming the subject of his patent in the body of the vessel, in the machinery, tackle, gear and other accessories, when such vessels temporarily or accidentally enter the waters of a country, provided that such devices are used there exclusively for the needs of the vessel;
2. the use of devices forming the subject of the patent in the construction or operation of aircraft or land vehicles of other countries of the Union, or of accessories to such aircraft or land vehicles, when those aircraft or land vehicles temporarily or accidentally enter the country.

PARIS CONVENTION: ACT OF STOCKHOLM, 1967

Article 5^{ter}

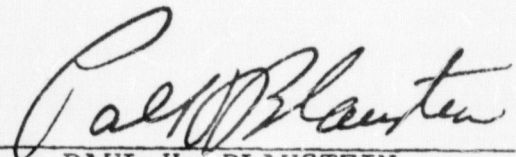
[*Patents: Patented Devices Forming Part of Vessels, Aircraft, or Land Vehicles*]

In any country of the Union the following shall not be considered as infringements of the rights of a patentee:

1. the use on board vessels of other countries of the Union of devices forming the subject of his patent in the body of the vessel, in the machinery, tackle, gear and other accessories, when such vessels temporarily or accidentally enter the waters of the said country, provided that such devices are used there exclusively for the needs of the vessel;
2. the use of devices forming the subject of the patent in the construction or operation of aircraft or land vehicles of other countries of the Union, or of accessories of such aircraft or land vehicles, when those aircraft or land vehicles temporarily or accidentally enter the said country.

CERTIFICATE OF SERVICE

PAUL H. BLAUSTEIN hereby certifies that a copy of the foregoing PLAINTIFF-APPELLANTS BRIEF ON APPEAL was mailed today, June 13 , 1975 to defendants' attorneys, Donald E. Degling, Fish & Neave, 277 Park Avenue, New York, New York and Louis H. Kurrelmeyer, Hale Russel & Stenzel, 122 East 42nd Street, New York, New York



PAUL H. BLAUSTEIN


Carl V. Japan - Haggard

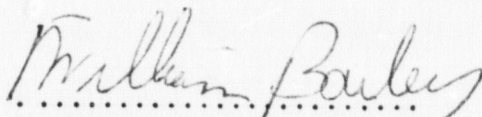
AFFIDAVIT OF PERSONAL SERVICE

STATE OF NEW YORK,
COUNTY OF RICHMOND ss.:

EDWARD BAILEY being duly sworn, deposes and says, that deponent is not a party to the action, is over 18 years of age and resides at 286 Richmond Avenue, Staten Island, N.Y. 10302. That on the 14 day of OCT 14, 1975 at No. 277 Park Ave, Apt 122 E 42nd deponent served the within Brief upon Fish + Mean + Hile, Russell the Appellee herein, by delivering a true copy thereof to h personally. Deponent knew the person so served to be the person mentioned and described in said papers as the Appellee therein.

Sworn to before me,
this 14 day of OCT 1975


.....
Edward Bailey


.....

WILLIAM BAILEY

Notary Public, State of New York

No. 43-0132945

Qualified in Richmond County

Commission Expires March 30, 1976